



UNITED STATES OF AMERICA  
SECURITIES AND EXCHANGE COMMISSION

ATTESTATION

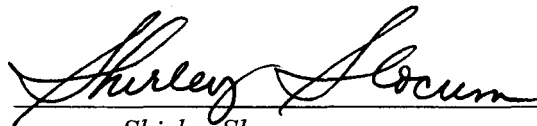
I HEREBY ATTEST

that:

*Attached is a copy of, quarterly report on Form 10-Q, for the  
quarterly period ended September 30, 1999, received in this  
Commission November 15, 1999, under the name Enron  
Corporation, File No. 1-13159, pursuant to the provisions of  
the Securities Exchange Act of 1934.*

on file in this Commission  
October 27, 2005

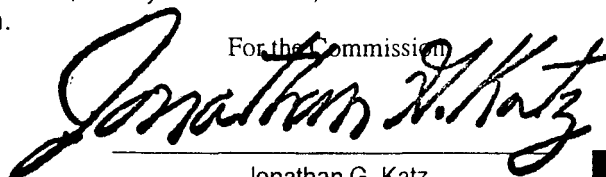
(Date)



Shirley Slocum  
Associate Director

It is hereby certified that the Associate Executive Director, Office of Filings and Information Services, U.S. Securities and Exchange Commission, Washington, D.C., which Commission was created by the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is official custodian of the records and files of said Commission, and all records and files created or established by the Federal Trade Commission pursuant to the provisions of the Securities Act of 1933 and transferred to this Commission in accordance with Section 210 of the Securities Exchange Act of 1934, and was such official custodian at the time of executing the above attestation, and that he/she, and persons holding the positions of Deputy Director, Associate Directors, Special Assistant to the Director, Records Officer, Branch Chief of Records Management, and the Program Analyst for the Records Officer, or any one of them, are authorized to execute the above attestation.

For the Commission



Jonathan G. Katz  
Secretary

UNITED STATES SECURITIES AND EXCHANGE  
COMMISSION  
WASHINGTON, D.C. 20549  
**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended **September 30, 1999**

Commission File Number 1-13159

**ENRON CORP.**

(Exact name of registrant as specified in its charter)

Oregon	47-0255140
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Enron Building	
1400 Smith Street	
Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

(713) 853-6161  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has  
filed all reports required to be filed by Section 13 or  
15(d) of the Securities Exchange Act of 1934 during the  
preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has  
been subject to such filing requirements for the past 90  
days.

Yes ☒ No ☐

Indicate the number of shares outstanding of each of the  
issuer's classes of common stock, as of the latest  
practicable date.

Class	Outstanding at October 31, 1999
Common Stock, No Par Value	715,613,151 shares

## ENRON CORP. AND SUBSIDIARIES

## TABLE OF CONTENTS

	Page No.
PART I. FINANCIAL INFORMATION	
ITEM 1. Financial Statements	
Consolidated Income Statement - Three Months Ended September 30, 1999 and 1998 and Nine Months Ended September 30, 1999 and 1998	3
Consolidated Balance Sheet - September 30, 1999 and December 31, 1998	4
Consolidated Statement of Cash Flows - Nine Months Ended September 30, 1999 and 1998	6
Notes to Consolidated Financial Statements	7
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	17
PART II. OTHER INFORMATION	
ITEM 1. Legal Proceedings	39
ITEM 2. Sale of Unregistered Securities	39
ITEM 6. Exhibits and Reports on Form 8-K	39

PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
SUBSIDIARIES

ENRON CORP. AND

SUBSIDIARIES

ITEM 1. FINANCIAL STATEMENTS

ENRON CORP. AND

## ITEM 1. FINANCIAL STATEMENTS

ENRON CORP. AND

## SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT  
(In Millions, Except Per Share Amounts)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Revenues	\$11,835	\$11,320	\$29,139	\$23,558
Costs and Expenses				
Cost of gas, electricity and other products	10,489	10,017	25,137	20,103
Operating expenses	661	614	2,085	1,621
Oil and gas exploration expenses	10	34	55	94
Depreciation, depletion and amortization	225	215	676	587
Impairment of long-lived assets	441	-	441	-
Taxes, other than income taxes	45	50	163	153
	11,871	10,930	28,557	22,558
Operating Income (Loss)	(36)	390	582	1,000
Other Income and Deductions				
Equity in earnings of unconsolidated affiliates	38	8	269	161
Gains on sales of assets and investments	456	(1)	468	3
Other income, net	62	8	203	57
Income Before Interest, Minority Interests and Income Taxes	520	405	1,522	1,221
Interest and Related Charges, net	187	134	537	398
Dividends on Company-Obligated Preferred Securities of Subsidiaries	19	19	57	58
Minority Interests	38	16	94	60
Income Tax Expense (Benefit)	(14)	68	69	178
Net Income Before Cumulative Effect of Accounting Changes	290	168	765	527
Cumulative Effect of Accounting Changes, net of tax	-	-	(131)	-
Net Income	290	168	634	527
Preferred Stock Dividends	19	4	42	13
Earnings on Common Stock	\$ 271	\$ 164	\$ 592	\$ 514
Earnings Per Share of Common Stock				
Basic				
Before Cumulative Effect of Accounting Changes	\$ 0.38	\$ 0.25	\$ 1.03	\$0.81
Cumulative Effect of Accounting Changes	-	-	(0.19)	-
Basic Earnings per Share	\$ 0.38	\$ 0.25	\$ 0.84	\$ 0.81
Diluted				
Before Cumulative Effect of Accounting Changes	\$ 0.35	\$ 0.24	\$ 0.96	\$ 0.77
Cumulative Effect of Accounting Changes	-	-	(0.17)	-
Diluted Earnings per Share	\$ 0.35	\$ 0.24	\$ 0.79	\$ 0.77

## Average Number of Common Shares

## Used in Computation

Basic	714	659	702	636
Diluted	781	713	766	688

The accompanying notes are an integral part of these consolidated financial statements.

## PART I. FINANCIAL INFORMATION - (Continued)

## ITEM 1. FINANCIAL STATEMENTS - (Continued)

ENRON CORP. AND

SUBSIDIARIES

ENRON CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
(In Millions)  
(Unaudited)

	September 30, 1999	December 31, 1998
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 316	\$ 111
Trade receivables	3,200	2,060
Other receivables	651	833
Assets from price risk management activities	2,156	1,904
Inventories	613	514
Other	631	511
Total Current Assets	7,567	5,933
Investments and Other Assets		
Investments in and advances to unconsolidated affiliates	4,968	4,433
Assets from price risk management activities	3,052	1,941
Goodwill	2,636	1,949
Other	5,578	4,437
Total Investments and Other Assets	16,234	12,760
Property, Plant and Equipment, at cost	12,924	15,792
Less accumulated depreciation, depletion and amortization	3,149	5,135
Net Property, Plant and Equipment	9,775	10,657
Total Assets	\$33,576	\$29,350

The accompanying notes are an integral part of these consolidated financial statements.

PART I. FINANCIAL INFORMATION - (Continued)  
ITEM 1. FINANCIAL STATEMENTS - (Continued)  
ENRON CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
(In Millions)  
(Unaudited)



	September 30, 1999	December 31, 1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 2,281	\$ 2,380
Liabilities from price risk management activities	2,829	2,511
Other	1,559	1,216
Total Current Liabilities	6,669	6,107
Long-Term Debt	8,592	7,357
Deferred Credits and Other Liabilities		
Deferred income taxes	1,908	2,357
Liabilities from price risk management activities	2,521	1,421
Other	1,718	1,916
Total	6,147	5,694
Minority Interests	1,822	2,143
Company-Obligated Preferred Securities of Subsidiaries	1,001	1,001
Shareholders' Equity		
Second preferred stock, cumulative, no par value	130	132
Mandatorily Convertible Junior Preferred Stock, Series B, no par value	1,000	-
Common stock, no par value	6,640	5,117
Retained earnings	2,537	2,226
Accumulated other comprehensive income	(853)	(162)
Common stock held in treasury	(1)	(195)
Other	(108)	(70)
Total	9,345	7,048
Total Liabilities and Shareholders' Equity	\$33,576	\$29,350

The accompanying notes are an integral part of these consolidated financial statements.

PART I. FINANCIAL INFORMATION - (Continued)  
ITEM 1. FINANCIAL STATEMENTS - (Continued)

ENRON CORP. AND SUBSIDIARIES

ENRON CORP. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENT OF CASH FLOWS  
 (In Millions)  
 (Unaudited)

	Nine Months Ended	
	September 30,	
	1999	1998
Cash Flows From Operating Activities		
Reconciliation of net income to net cash provided by (used in) operating activities		
Net income	\$ 634	\$ 527
Cumulative effect of accounting changes	131	-
Depreciation, depletion and amortization	676	587
Oil and gas exploration expenses	55	94
Impairment of long-lived assets	441	-
Deferred income taxes	(38)	109
Gains on sales of assets and investments	(461)	(31)
Changes in components of working capital	(1,072)	(372)
Net assets from price risk management activities	55	(458)
Merchant assets and investments:		
Realized gains on sales	(252)	(368)
Proceeds from sales	708	855
Additions	(657)	(515)
Other operating activities	(263)	(457)
Net Cash Used in Operating Activities	(43)	(29)
Cash Flows From Investing Activities		
Capital expenditures	(2,022)	(1,231)
Equity investments	(718)	(1,470)
Proceeds from sales of investments and other assets	245	59
Acquisition of subsidiary stock	-	(180)
Business acquisitions, net of cash acquired	(213)	(87)
Other investing activities	(447)	(262)
Net Cash Used in Investing Activities	(3,155)	(3,171)
Cash Flows From Financing Activities		
Issuance of long-term debt	1,570	1,253
Repayment of long-term debt	(1,417)	(388)
Net increase in short-term borrowings	2,038	1,997
Issuance of common stock	889	867
Issuance of subsidiary equity	513	-
Dividends paid	(346)	(307)
Net disposition of treasury stock	223	6
Other financing activities	(67)	(15)
Net Cash Provided by Financing Activities	3,403	3,413
Increase in Cash and Cash Equivalents	205	213
Cash and Cash Equivalents, Beginning of Period	111	170
Cash and Cash Equivalents, End of Period	\$ 316	\$ 383
Changes in Components of Working Capital		
Receivables	\$ (994)	\$ (1,317)
Inventories	(112)	(233)
Payables	(45)	860
Other	79	318
Total	\$ (1,072)	\$ (372)

The accompanying notes are an integral part of these consolidated financial statements.

PART I. FINANCIAL INFORMATION - (Continued)

ITEM 1. FINANCIAL STATEMENTS - (Continued)

ENRON CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The consolidated financial statements included herein have been prepared by Enron Corp. (Enron) without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these statements reflect all adjustments (consisting only of normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Enron believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in Enron's Annual Report on Form 10-K for the year ended December 31, 1998 (Form 10-K).

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The 1998 earnings per share amounts have been adjusted to reflect the August 13, 1999 two-for-one stock split.

Certain reclassifications have been made in the 1998 amounts to conform with the 1999 presentation.

"Enron" is used from time to time herein as a collective reference to Enron Corp. and its subsidiaries and affiliates. In all material respects, the businesses of Enron are conducted by the subsidiaries and affiliates.

2. SALE OF INTERESTS IN ENRON OIL & GAS COMPANY

On August 16, 1999, Enron exchanged approximately 62.3 million shares (approximately 75 percent) of the Enron Oil & Gas Company (EOG) common stock it held for all of the stock of EOG's subsidiary, EOGI-India, Inc., which holds EOG's India and China operations, and a \$600 million cash contribution by EOG to EOGI-India, Inc. Also in August, Enron received net proceeds of approximately \$190 million for the sale of 8.5 million shares of EOG common stock in a public offering and issued approximately \$255 million of public debt that is exchangeable in July 2002 into approximately 11.5 million shares of EOG common stock. As a result of the share exchange, Enron recorded a pre-tax gain of \$454 million (\$345 million after tax, or \$0.44 per diluted share) in the third quarter of 1999. Enron retained 11.5 million shares of EOG stock (now EOG Resources, Inc.)

which will be exchanged at the maturity of the debt. As of August 16, 1999, EOG is no longer included in Enron's consolidated financial statements. EOGI-India, Inc. is included in the consolidated financial statements within the Wholesale Operations and Services segment beginning August 16, 1999.

### 3. IMPAIRMENT OF MTBE ASSETS

Continued significant changes in state and federal rules regarding the use of MTBE as a gasoline additive have significantly impacted Enron's view of the future prospects for this business. As a result, Enron completed a reevaluation of its position and strategy with respect to its operated MTBE assets which resulted in i) the purchase of certain previously leased MTBE related assets, under provisions within the lease, in order to facilitate future actions, including the potential disposal of such assets and ii) a review of all MTBE related assets for impairment considering the recent adverse changes and their impact on recoverability. Based on this review, in September 1999, Enron recorded a \$441 million pre-tax charge (\$278 million after tax, or \$0.36 per diluted share) for the impairment of its MTBE related assets.

### 4. CUMULATIVE EFFECT OF ACCOUNTING CHANGES

In the first quarter of 1999, Enron recorded an after-tax charge of \$131 million to reflect the initial adoption (as of January 1, 1999) of two new accounting pronouncements. In 1998, the AICPA issued Statement of Position 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities," which requires that costs for all start-up activities and organization costs be expensed as incurred and not capitalized in certain instances, as had previously been allowed. Also in 1998, the Emerging Issues Task Force reached consensus on Issue No. 98-10, "Accounting for Contracts involved in Energy Trading and Risk Management Activities," requiring energy trading contracts to be recorded at fair value on the balance sheet, with the changes in fair value included in earnings. The first quarter 1999 charge was primarily related to the adoption of SOP 98-5.

### 5. SUPPLEMENTAL CASH FLOW INFORMATION

Net cash paid for income taxes for the first nine months of 1999 and 1998 was \$23 million and \$45 million, respectively. Cash paid for interest for the same periods, net of amounts capitalized, was \$544 million and \$419 million, respectively.

**Non-Cash Activity.** Following the acquisition of an additional 53% interest in Elektro Eletricidade e Servicos S.A. (Elektro), Enron discontinued the use of temporary control in accounting for its interest in Jacare Electrical Distribution Trust (Jacare), the entity that holds Enron's investment in Elektro. As a result, Jacare has been consolidated effective January 1, 1999. Jacare's balance sheet at that date consisted of net assets of approximately \$1,160 million, including goodwill of approximately \$1,080 million, net property, plant and equipment of approximately \$820 million and debt of approximately \$900 million. In addition, as of January 1, 1999, Enron's investment in unconsolidated affiliates decreased by approximately \$450 million and minority interests increased by approximately \$720 million.

On August 16, 1999, as a result of the share exchange agreement, EOG's balance sheet is no longer consolidated by Enron (see Note 2). As a result, net property, plant and equipment decreased by approximately \$2,400 million, short- and long-term debt decreased by approximately \$1,800 million and minority interests decreased by

approximately \$600 million.

In March 1999, an Enron controlled joint venture, Whitewing Associates, L.P. (Whitewing), that held 250,000 shares of Enron Series A Junior Convertible Preferred Stock (Series A Preferred Stock) was amended to allow, among other things, control to be shared equally between Enron and the third party investor. Consequently, Whitewing's financial statements are no longer consolidated by Enron, resulting in an increase in Enron's investment in unconsolidated affiliates of approximately \$500 million, an increase in preferred stock of \$1,000 million and a decrease in minority interests of \$500 million. In September 1999, Enron entered into a series of transactions that resulted in the exchange of all outstanding shares of Enron Series A Preferred Stock held by Whitewing for 250,000 shares of Enron Mandatorily Convertible Junior Preferred Stock, Series B (Series B Preferred Stock) with a liquidation value of \$1,000 million. Each share of Series B Preferred Stock is mandatorily convertible into 200 shares of Enron common stock on January 14, 2003 or earlier upon the occurrence of certain events (together, the Settlement Date). In addition, Enron entered into a Share Settlement Agreement under which Enron could be obligated, at the Settlement Date, to deliver additional shares of common stock or Series B Preferred Stock to Whitewing for the amount that the market price of the converted Enron common shares is less than \$28 per share. As a part of the restructuring of Whitewing, additional net outside capital of \$922 million was received by Whitewing.

During the first quarter of 1999, Enron issued approximately 3.8 million shares of common stock in connection with the acquisition, by an unconsolidated affiliate, of interests in three power plants in New Jersey.

#### 6. LITIGATION AND OTHER CONTINGENCIES

Enron is a party to various claims and litigation, the significant items of which are discussed below. Although no assurances can be given, Enron believes, based on its experience to date and after considering appropriate reserves that have been established, that the ultimate resolution of such items, individually or in the aggregate, will not have a material adverse impact on Enron's financial position or its results of operations.

**Litigation.** In 1995, several parties (the Plaintiffs) filed suit in Harris County District Court in Houston, Texas, against Intratex Gas Company (Intratex), Houston Pipe Line Company and Panhandle Gas Company (collectively, the Enron Defendants), each of which is a wholly-owned subsidiary of Enron. The Plaintiffs were either sellers or royalty owners under numerous gas purchase contracts with Intratex, many of which have terminated. Early in 1996, the case was severed by the Court into two matters to be tried (or otherwise resolved) separately. In the first matter, the Plaintiffs alleged that the Enron Defendants committed fraud and negligent misrepresentation in connection with the "Panhandle program," a special marketing program established in the early 1980s. This case was tried in October 1996 and resulted in a verdict for the Enron Defendants. In the second matter, the Plaintiffs allege that the Enron Defendants violated state regulatory requirements and certain gas purchase contracts by failing to take the Plaintiffs' gas ratably with other producers' gas at certain times between 1978 and 1988. The trial court has certified a class action with respect to ratable claims. On April 30, 1999, the Texas Supreme Court granted Enron's petition for review and agreed to consider Enron's appeal of the class certification. The Enron Defendants deny the Plaintiffs' claims and have asserted various

affirmative defenses, including the statute of limitations. The Enron Defendants believe that they have strong legal and factual defenses, and intend to vigorously contest the claims. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

On November 21, 1996, an explosion occurred in or around the Humberto Vidal Building in San Juan, Puerto Rico. The explosion resulted in fatalities, bodily injuries and damage to the building and surrounding property. San Juan Gas Company, Inc. (San Juan), an Enron subsidiary, operated a propane/air distribution system in the vicinity. Although San Juan did not provide service to the building, the National Transportation Safety Board (NTSB) concluded that the probable cause of the incident was propane leaking from San Juan's distribution system. San Juan and Enron strongly disagree. The NTSB found no path of migration of propane from San Juan's system to the building and no forensic evidence that propane fueled the explosion. Enron, San Juan, and four San Juan affiliates have been named, along with several third parties, as defendants in numerous lawsuits filed in U.S. District Court for the district of Puerto Rico and the Superior Court of Puerto Rico. These suits, which seek damages for wrongful death, personal injury, business interruption and property damage, allege that negligence of Enron, San Juan and its affiliates, among others, caused the explosion. Enron, San Juan and its affiliates are vigorously contesting the claims. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Trojan Investment Recovery. In early 1993, Portland General Electric Company (PGE) ceased commercial operation of the Trojan Nuclear Plant (Trojan). In April 1996 a circuit court judge in Marion County, Oregon, found that the Oregon Public Utility Commission (OPUC) could not authorize PGE to collect a return on its undepreciated investment in Trojan, contradicting a November 1994 ruling from the same court. The ruling was the result of an appeal of PGE's 1995 general rate order which granted PGE recovery of, and a return on, 87% of its remaining investment in Trojan. The 1994 ruling was appealed to the Oregon Court of Appeals and was stayed pending the appeal of the OPUC's March 1995 order. Both PGE and the OPUC have separately appealed the April 1996 ruling, which appeals were combined with the appeal of the November 1994 ruling at the Oregon Court of Appeals. On June 24, 1998, the Court of Appeals of the State of Oregon ruled that the OPUC does not have the authority to allow PGE to recover a rate of return on its undepreciated investment in the Trojan generating facility. The court upheld the OPUC's authorization of PGE's recovery of its undepreciated investment in Trojan.

PGE has filed a petition for review with the Oregon Supreme Court. The OPUC has also filed such a petition for review. Also on August 26, 1998, the Utility Reform Project filed a petition for review with the Oregon Supreme Court seeking review of that portion of the Oregon Court of Appeals decision relating to PGE's recovery of its undepreciated investment in Trojan. On April 29, 1999, the Oregon Supreme Court accepted the petitions for review of the Oregon Court of Appeals decision. On June 16, 1999, Oregon House Bill 3220 authorizing the OPUC to allow recovery of a return on the undepreciated investment in property retired from service was signed. One of the effects of the bill is to affirm retroactively the OPUC's authority to allow PGE's recovery of a return on its undepreciated investment in the Trojan generating facility.

Relying on the new legislation, on July 2, 1999, PGE requested the



Oregon Supreme Court to vacate the June 24, 1998 adverse ruling of the Oregon Court of Appeals, affirm the validity of the OPUC's order allowing PGE to recover a return on its undepreciated investment in Trojan and to reverse its decision accepting the Utility Reform Project's petition for review. The Utility Reform Project and the Citizens Utility Board, another party to the proceeding, opposed such request and submitted to the Oregon Secretary of State sufficient signatures in support of placing a referendum to negate the new legislation on the November 2000 ballot. Enron cannot predict the outcome of these actions. Additionally, due to uncertainties in the regulatory process, management cannot predict, with certainty, what ultimate rate-making action the OPUC will take regarding PGE's recovery of a rate of return on its Trojan investment. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations (see Note 11).

**Environmental Matters.** Enron is subject to extensive federal, state and local environmental laws and regulations. These laws and regulations require expenditures in connection with the construction of new facilities, the operation of existing facilities and for remediation at various operating sites. The implementation of the Clean Air Act Amendments is expected to result in increased operating expenses. These increased operating expenses are not expected to have a material impact on Enron's financial position or results of operations.

The Environmental Protection Agency (EPA) has informed Enron that it is a potentially responsible party at the Decorah Former Manufactured Gas Plant Site (the Decorah Site) in Decorah, Iowa, pursuant to the provisions of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, also commonly known as Superfund). The manufactured gas plant in Decorah ceased operations in 1951. A predecessor company of Enron purchased the Decorah Site in 1963. Enron's predecessor did not operate the gas plant and sold the Decorah Site in 1965. The EPA alleges that hazardous substances were released to the environment during the period in which Enron's predecessor owned the site, and that Enron's predecessor assumed the liabilities of the company that operated the plant. Enron contests these allegations. To date, the EPA has identified no other potentially responsible parties with respect to this site. Under the terms of administrative orders, Enron replaced affected topsoil and removed impacted subsurface soils in certain areas of the tract where the plant was formerly located. Enron completed the final removal actions at the site in November 1998 and concluded all remaining site activities in the spring of 1999. Enron submitted a final report on the work conducted at the site to the EPA. Enron does not expect to incur material expenditures in connection with this site.

Enron also received from the EPA an Order issued under CERCLA alleging that Enron and two other parties are responsible for the cost of demolition and proper disposal of two 110 foot towers that apparently had been used in the manufacture of carbon dioxide at a site called the "City Bumper Site" in Cincinnati, Ohio. The carbon dioxide plant, according to agency documents, was in operation from 1926 to 1966. Houston Natural Gas Corporation, a predecessor of Enron Corp., merged with Liquid Carbonic Industries (LCI) on January 31, 1969. Liquid Carbonic Corporation (LCC), a subsidiary of LCI, had title to the site. Twenty-eight days after the merger, on February 28, 1969, the site was sold to a third party. In 1984, LCC was sold to an unaffiliated party in a stock sale. Although Enron does not admit liability with respect to any costs at this site, it agreed to cooperate with the EPA and other potentially responsible parties to

undertake the work contemplated by the EPA's Order. The tower demolition and removal activities were completed in October 1998, and a final project report has been submitted to the EPA. The EPA has confirmed through correspondence that all activities required by the order are complete.

Enron's natural gas pipeline companies conduct soil and groundwater remediation on a number of their facilities. Enron does not expect to incur material expenditures in connection with soil and groundwater remediation.

#### 7. EARNINGS PER SHARE

The computation of basic and diluted earnings per share is as follows (in millions, except per share amounts):

	Third Quarter		Nine Months Ended	
	1999	1998	September 30,	1998
Numerator:				
Basic				
Income before cumulative effect of accounting changes	\$ 290	\$ 168	\$ 765	\$ 527
Preferred stock dividends:				
Second preferred stock	(4)	(4)	(13)	(13)
Series A Preferred Stock	(14)	-	(28)	-
Series B Preferred Stock	(1)	-	(1)	-
Income available to common shareholders before cumulative effect of accounting changes	271	164	723	514
Cumulative effect of accounting changes	-	-	(131)	-
Income available to common shareholders	\$ 271	\$ 164	\$ 592	\$ 514
Diluted				
Income available to common shareholders before cumulative effect of accounting changes	\$ 271	\$ 164	\$ 723	\$ 514
Effect of assumed conversion of dilutive securities:				
Second preferred stock	4	4	13	13
Series A Preferred Stock(a)	-	-	-	-
Series B Preferred Stock(a)	-	-	-	-
Income before cumulative effect of accounting changes	275	168	736	527
Cumulative effect of accounting changes	-	-	(131)	-
Income available to common shareholders after assumed conversions	\$ 275	\$ 168	\$ 605	\$ 527
Denominator:				
Denominator for basic earnings per share - weighted-average shares	714	659	702	636
Effect of assumed conversion of dilutive securities:				
Second preferred stock	36	36	36	36
Stock options	31	18	28	16
Dilutive potential common shares	67	54	64	52
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions	781	713	766	688
Basic earnings per share:				
Before cumulative effect of accounting changes	\$0.38	\$0.25	\$1.03	\$0.81
Cumulative effect of accounting changes	-	-	(0.19)	-
Basic earnings per share	\$0.38	\$0.25	\$0.84	\$0.81
Diluted earnings per share:				
Before cumulative effect of accounting changes	\$0.35	\$0.24	\$0.96	\$0.77
Cumulative effect of accounting changes	-	-	(0.17)	-
Diluted earnings per share	\$0.35	\$0.24	\$0.79	\$0.77

- (a) The Series A Preferred Stock and the Series B Preferred Stock were not included in the calculation of diluted earnings per share because conversion of these shares would be antidilutive. See Note 5 for a description of the Series B Preferred Stock.

## 8. COMPREHENSIVE INCOME

Comprehensive income includes the following (in millions):

	Third Quarter		Nine Months Ended	
	1999	1998	September 30, 1999	September 30, 1998
Net income	\$ 290	\$ 168	\$ 634	\$ 527
Other comprehensive income:				
Foreign currency translation adjustment	(93)	(11)	(691)	(22)
Total comprehensive income (loss)	\$ 197	\$ 157	\$ (57)	\$ 505

Enron has investments in entities whose functional currency is denominated in Brazilian Reals. In 1999, primarily in the first quarter, the exchange rate for the Brazilian Real to the U.S. dollar declined. Primarily as a result of these investments, Enron recorded non-cash foreign currency translation adjustments, reducing shareholders' equity by \$691 million in the first nine months of 1999.

## 9. BUSINESS SEGMENT INFORMATION

Enron's business is divided into operating segments, defined as components of an enterprise about which financial information is available and evaluated regularly by the Executive Committee, which serves as the chief operating decision making group.

(In Millions)	Transportation and Distribution	Wholesale Energy Operations and Services	Retail Energy Services	Exploration and Production(c)	Corporate and Other(d)	Total
Three Months Ended September 30, 1999						
Unaffiliated revenues(a)	\$ 567	\$10,677	\$ 345	\$ 105	\$ 141	\$11,835
Intersegment revenues(b)	2	385	197	14	(598)	-
Total revenues	\$ 569	\$11,062	\$ 542	\$ 119	\$ (457)	\$11,835
Income (loss) before interest, minority interests and income taxes	\$ 137	\$ 378	\$ (18)	\$ 33	\$ (10)	\$ 520
Nine Months Ended September 30, 1999						
Unaffiliated revenues(a)	\$1,461	\$25,751	\$1,009	\$ 429	\$ 489	\$29,139
Intersegment revenues(b)	13	600	243	97	(953)	-
Total revenues	\$1,474	\$26,351	\$1,252	\$ 526	\$ (464)	\$29,139
Income (loss) before interest, minority interests and income taxes	\$ 483	\$ 1,054	\$ (75)	\$ 65	\$ (5)	\$ 1,522

(In Millions)	Transportation and Distribution	Wholesale Energy Operations and Services	Retail Energy Services	Exploration and Production(c)	Corporate and Other(d)	Total
Three Months Ended September 30, 1998						
Unaffiliated revenues(a)	\$ 425	\$10,225	\$ 400	\$ 186	\$ 84	\$11,320
Intersegment revenues(b)	5	116	-	34	(155)	-
Total revenues	\$ 430	\$10,341	\$ 400	\$ 220	\$ (71)	\$11,320
Income (loss) before interest, minority interests and income taxes	\$ 130	\$ 277	\$ (23)	\$ 25	\$ (4)	\$ 405
Nine Months Ended September 30, 1998						
Unaffiliated revenues(a)	\$1,339	\$20,737	\$ 748	\$ 560	\$ 174	\$23,558
Intersegment revenues(b)	13	370	2	94	(479)	-
Total revenues	\$1,352	\$21,107	\$ 750	\$ 654	\$ (305)	\$23,558
Income (loss) before interest, minority interests and income taxes	\$ 469	\$ 767	\$ (93)	\$ 97	\$ (19)	\$ 1,221

- (a) Unaffiliated revenues include sales to unconsolidated affiliates.  
(b) Intersegment sales are made at prices comparable to those received from unaffiliated customers and in some instances are affected by regulatory considerations.  
(c) Reflects results of EOG through August 16, 1999 (see Note 2).  
(d) Includes consolidating eliminations.

Total assets by segment are as follows (in millions):

	September 30, 1999	December 31, 1998
Transportation and Distribution	\$ 8,115	\$ 7,616
Wholesale Energy Operations and Services	21,325	14,837
Retail Energy Services	801	747
Exploration and Production	-	3,001
Corporate and Other	3,335	3,149
Total Assets	\$33,576	\$29,350

Wholesale's assets increased primarily as a result of the consolidation of Jacare, previously an unconsolidated affiliate (see Note 5), capital expenditures and investments in equity affiliates. Assets of Exploration and Production are no longer consolidated following the exchange of EOG shares (see Note 2).

#### 10. RELATED PARTY TRANSACTIONS

In June 1999, Enron entered into a series of transactions involving a third party and LJM Cayman, L.P. (LJM). LJM is a private investment company which engages in acquiring or investing primarily in energy related investments. A senior officer of Enron is managing member of LJM's general

partner. The effect of the transactions was i) Enron amended with the third party certain forward contracts to purchase shares of Enron common stock, resulting in Enron having forward contracts to purchase 3.3 million Enron common shares at the market price on that day, ii) LJM received 3.4 million shares of Enron common stock subject to certain restrictions and iii) Enron received a note receivable and a put option related to an investment held by Enron. Enron recorded the assets received and equity issued at estimated fair value. In connection with the transactions, LJM agreed that the Enron officer would have no pecuniary interest in such Enron common shares and would be restricted from voting on matters related to such shares or to any future transactions with Enron. In the future, LJM may participate with Enron in investments or may acquire investments from Enron, although it is not obligated to do so. Management believes that the terms of the transactions were reasonable and no less favorable than the terms of similar arrangements with unrelated third parties.

#### 11. SUBSEQUENT EVENT

On November 8, 1999, Enron announced that it has entered into an agreement to sell Enron's wholly-owned electric utility subsidiary, PGE, to Sierra Pacific Resources for \$2.1 billion, comprised of \$2.02 billion in cash and the assumption of Enron's approximately \$80 million merger payment obligation. Sierra Pacific Resources will also assume \$1 billion in PGE debt and preferred stock. The proposed transaction, which is subject to customary regulatory approvals, is expected to close in the second half of 2000.

#### PART I. FINANCIAL INFORMATION - (Continued)

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

ENRON CORP. AND SUBSIDIARIES

RESULTS OF OPERATIONS

Third Quarter 1999  
vs. Third Quarter 1998

The following review of Enron's results of operations should be read in conjunction with the Consolidated Financial Statements.

RESULTS OF OPERATIONS

Consolidated Net Income

Enron's third quarter 1999 net income, including items impacting comparability, was \$290 million compared to \$168 million in the third quarter of 1998. Enron's operating segments include Transportation and Distribution (Gas Pipeline Group and Portland General), Wholesale Energy Operations and Services (Enron's North American, European and international energy businesses and Enron Communications), Retail Energy Services (Enron Energy Services), Exploration and Production (Enron Oil & Gas

Company) through August 16, 1999 and Corporate and Other, which includes certain other businesses. Items impacting comparability are discussed in the respective segment results.

Basic and diluted earnings (loss) per share of common stock were as follows:

	Third Quarter	
	1999	1998
Basic earnings per share	\$ 0.38	\$ 0.25
Diluted earnings (loss) per share:		
Results before items impacting comparability	\$ 0.27	\$ 0.24
Items impacting comparability:		
Gain on sale of Enron Oil & Gas Company	0.44	-
Charge to reflect impairment of MTBE assets	(0.36)	-
Diluted earnings per share	\$ 0.35	\$ 0.24

#### Income Before Interest, Minority Interests and Income Taxes

The following table presents income (loss) before interest, minority interests and income taxes (IBIT) for each of Enron's operating segments (in millions):

	Third Quarter	
	1999	1998
Transportation and Distribution:		
Gas Pipeline Group	\$ 85	\$ 69
Portland General	52	61
Wholesale Energy Operations and Services	378	277
Retail Energy Services	(18)	(23)
Exploration and Production	33	25
Corporate and Other	(10)	(4)
Income before interest, minority interests and taxes	\$ 520	\$ 405

#### Transportation and Distribution

Transportation and Distribution consists of Gas Pipeline Group and Portland General. Gas Pipeline Group includes Enron's interstate natural gas pipelines, primarily Northern Natural Gas Company (Northern), Transwestern Pipeline Company (Transwestern), Enron's 50% interest in Florida Gas Transmission Company (Florida Gas) and Enron's interest in Northern Border Pipeline, and Enron's interest in EOTT Energy Partners, L.P.

Gas Pipeline Group. The following table summarizes total volumes transported for each of Enron's interstate natural gas pipelines.



	Third Quarter	
	1999	1998
Total Volumes Transported (Bbtu/d) (a)		
Northern Natural Gas	3,525	3,792
Transwestern Pipeline	1,575	1,564
Florida Gas Transmission	1,659	1,471
Northern Border Pipeline	2,407	1,723

(a) Reflects 100% of each entity's throughput volumes.

Significant components of IBIT are as follows (in millions):

	Third Quarter	
	1999	1998
Net revenues	\$ 145	\$144
Operating expenses	64	68
Depreciation and amortization	18	17
Equity in earnings	14	8
Other income, net	8	2
Income before interest and taxes	\$ 85	\$ 69

#### Operating Results

Revenues, net of cost of sales (net revenues) of Gas Pipeline Group (GPG) increased \$1 million and operating expenses decreased \$4 million in the third quarter of 1999 as compared to the same period in 1998. Net revenues increased primarily as a result of sales of storage inventory gas, partially offset by the expiration, in October 1998, of certain transition cost recovery surcharges which also resulted in a corresponding decrease in expenses. Other income, net increased \$6 million in the third quarter of 1999 as compared to the same period in 1998 primarily as a result of interest earned by GPG in connection with the financing of an acquisition by an unconsolidated affiliate.

Portland General. Statistics for PGE for the third quarter of 1999 and 1998 are as follows:

	Third Quarter	
	1999	1998
Electricity Sales (Thousand MWh) (a)		
Residential	1,440	1,449
Commercial	1,951	1,815
Industrial	1,162	834
Total Retail	4,553	4,098
Wholesale	4,921	2,675
Total Electricity Sales	9,474	6,773
Average Billed Revenue (cents per kWh)		
Residential	6.04	6.45
Commercial	4.87	5.20
Industrial	3.96	4.34
Total Retail	5.01	5.47
Wholesale	3.37	2.61
Total Sales	4.15	4.34
Resource Mix		
Coal	14%	19%
Combustion Turbine	8	17
Hydro	5	7
Total Generation	27	43
Firm Purchases	61	47
Secondary Purchases	12	10
Total Resources	100%	100%
Average Variable Power Cost (Mills/kWh) (b)		
Generation	10.1	9.6
Firm Purchases	30.3	18.8
Secondary Purchases	22.0	32.1
Total Average Variable Power Cost	24.7	17.2
Retail Customers (end of period, thousands)	714	698

(a) Thousand megawatt-hours.

(b) Mills (1/10 cent) per kilowatt-hour.

For the third quarter of 1999, Portland General realized IBIT of \$52 million as compared to \$61 million in the same period in 1998. Significant components of IBIT are as follows (in millions):

	Third Quarter	
	1999	1998
Revenues	\$407	\$280
Purchased power and fuel	241	104
Operating expenses	74	76
Depreciation and amortization	43	47
Other income, net	3	8
Income before interest and taxes	\$ 52	\$ 61

#### Operating Results

Revenues and purchased power and fuel costs increased \$127 million and \$137 million, respectively, in the third quarter of 1999 as compared to the third quarter of 1998, primarily as a result of an increase in the number of customers served by Portland General and a significant increase in wholesale sales. Revenue increases were offset by higher power costs.

#### Wholesale Energy Operations and Services

Enron's wholesale energy operations and services business (Enron Wholesale) operates in North America, Europe and other countries. Enron Wholesale is categorized into two business lines: (a) Commodity Sales and Services and (b) Energy Assets and Investments. Integrated products and services related to these business lines are offered to wholesale energy and communications customers in each of Enron Wholesale's markets.

Enron Wholesale manages its commodity and asset portfolios in order to maximize value, minimize the associated risks and provide overall liquidity. In this process, Enron Wholesale utilizes portfolio and risk management disciplines including certain hedging transactions to manage portions of its market exposures (commodity, interest rate, foreign currency and equity exposures). Enron Wholesale, from time to time, monetizes its contract portfolios (producing cash and transferring counterparty credit risk to third parties) and sells interests in investments and assets.

The following table reflects IBIT for each business line (in millions):

	Third Quarter	
	1999	1998
Commodity Sales and Services	\$172	\$152
Energy Assets and Investments	240	160
Unallocated expenses	(34)	(35)
Income before interest, minority interests and taxes	\$378	\$277

The following discussion analyzes the contributions to IBIT for each business line.

**Commodity Sales and Services.** Enron Wholesale provides reliable delivery of energy commodities at predictable prices. The commodity sales and services operations includes the purchase, sale, marketing and delivery of natural gas, electricity, liquids and other commodities, the restructuring of existing long-term contracts and the management of Enron Wholesale's commodity contract portfolios. In addition, Enron Wholesale provides risk management products and services to energy customers that hedge movements in price and location-based price differentials. Enron Wholesale's risk management products and services are designed to provide stability to customers in markets impacted by commodity price volatility. Also included in this business is the management of certain operating assets that directly relate to this business,

including domestic intrastate pipelines and storage facilities.

Enron Wholesale markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

	Third Quarter	
	1999	1998
Physical Volumes (BBtue/d) (a) (b)		
Gas:		
United States	8,573	7,749
Canada	4,748	3,656
Europe	1,605	1,176
Other	35	17
	14,961	12,598
Transport Volumes	537	643
Total Gas Volumes	15,498	13,241
Oil	3,972	2,596
Liquids	727	652
Electricity(c)	12,406	17,684
Total	32,603	34,173
Electricity Volumes Marketed (Thousand MWh)		
United States	111,336	162,527
Europe and Other	2,795	165
Total	114,131	162,692
Financial Settlements (Notional) (BBtue/d)	109,351	83,653

- (a) Billion British thermal units equivalent per day.  
 (b) Includes third-party transactions by Enron Energy Services.  
 (c) Represents electricity transaction volumes marketed, converted to BBtue/d.

The earnings from commodity sales and services increased to \$172 million in the third quarter of 1999 as compared to \$152 million in the same period of 1998 primarily due to increased earnings from long-term energy contracts, commodity marketing activities and favorable changes in credit markets worldwide. Increased earnings from other commodity marketing, including coal, paper, liquids, interest rate and foreign currency, were partially offset by slightly decreased earnings from gas marketing.

Total power volumes for the third quarter of 1999 exceeded both first and second quarter levels but were down from the unusually high third quarter level last year. Third quarter 1998 volumes were unusually high primarily due to high price volatility caused by shortages resulting from scheduled maintenance and outages.

Energy Assets and Investments. Enron Wholesale's energy assets and investments activities include investments in debt and equity securities related to natural gas, electricity and communications. Additionally, Enron Wholesale develops, constructs, operates and manages a large portfolio of energy investments such as power plants and

natural gas pipelines. Earnings primarily result from changes in the market value of merchant investments held during the period, equity earnings and gains on sales or restructurings of energy investments.

Earnings from energy assets and investments increased to \$240 million in the third quarter of 1999 as compared to \$160 million in the same period of 1998 primarily as a result of the increased earnings from Enron Wholesale's worldwide energy assets and increased market value of Enron Wholesale's energy and communications investments, partially offset by lower earnings from sales of interests in energy assets.

#### Retail Energy Services

Enron Energy Services (Energy Services) is extending Enron's energy expertise to end-use customers. This includes sales of natural gas, electricity and energy management services directly to commercial and industrial customers. In the third quarter of 1999, Energy Services continued to make significant progress in expanding its customer base and contracting activities by executing several significant commodity and services contracts with new customers. Energy Services reported an operating loss before interest, minority interest and taxes of \$18 million in the third quarter of 1999 compared to a loss of \$23 million in the third quarter of 1998. The results primarily reflect the costs associated with developing the commodity, capital and services capability to deliver on contracts signed to date by Energy Services, partially offset by increased earnings from energy management services.

#### Exploration and Production

Enron's exploration and production operations have been conducted by Enron Oil & Gas Company (EOG). The operating results of this segment reflect activity through August 16, 1999, the date of the share exchange transaction that resulted in the sale of EOG (see Note 2 to the Consolidated Financial Statements). IBIT of Exploration and Production totaled \$33 million and \$25 million for the third quarter of 1999 and 1998, respectively.

#### Corporate and Other

Corporate and Other includes results of Azurix Corp., which provides water and wastewater services, Enron Renewable Energy Corp. and the operations of Enron's methanol and MTBE plants. Corporate and Other realized a loss before interest, minority interests and taxes of \$10 million in the third quarter of 1999 compared to \$4 million for the same period in 1998. Significant components of IBIT are as follows:

	Third Quarter	
	1999	1998
IBIT before items impacting comparability	\$ (23)	\$ (4)
Items impacting comparability:		
Gain on sale of EOG	454	-
Charge to reflect impairment of MTBE assets	(441)	-
IBIT	\$ (10)	\$ (4)

In September 1999, Enron recorded a pre-tax gain of \$454 million (\$345 million after tax) in the third quarter of 1999 related to the sale of interests in EOG (see Note 2 to the Consolidated Financial Statements) and a \$441 million pre-tax charge (\$278 million after tax) for the impairment of its MTBE assets (see Note 3 to the Consolidated Financial Statements).

Excluding items impacting comparability, Corporate and Other realized a loss before interest, minority interests and taxes of \$23 million in the third quarter of 1999 as compared to \$4 million in the same period of 1998 primarily as a result of the inclusion, in 1998, of earnings associated with the increase in the market value of certain corporate-managed financial instruments.

#### Interest and Related Charges, net

Interest and related charges, net is reported net of interest capitalized of \$16 million and \$17 million for the third quarter of 1999 and 1998, respectively. The net expense increased \$53 million in the third quarter of 1999 as compared to the same period of 1998, primarily due to an increase in debt of approximately \$900 million resulting from the consolidation of Jacare Electrical Distribution Trust (Jacare) (see Note 5 to the Consolidated Financial Statements) and issuances of debt subsequent to September 30, 1998.

#### Dividends on Company-Obligated Preferred Securities of Subsidiaries

Dividends on company-obligated preferred securities of subsidiaries was \$19 million in the third quarter of 1999 and 1998.

#### Minority Interests

Minority interests increased \$22 million to \$38 million in the third quarter of 1999 compared to the same period in 1998, primarily due to the formation of certain joint ventures subsequent to the third quarter of 1998 and the minority owner's share of the results of Jacare prior to the purchase of additional shares of Elektro (see Note 5 to the Consolidated Financial Statements). Included in 1998 is the minority interest of a joint venture that is no longer consolidated due to a change of control in March 1999 (see Note 5 to the Consolidated Financial Statements).

#### Income Tax Expense

The projected effective tax rate for 1999 is lower than the statutory rate mainly due to equity earnings, consolidated foreign earnings and differences between the book and tax basis of certain assets and stock sales, including the EOG share exchange (see Note 2 to the Consolidated Financial Statements).

#### RESULTS OF OPERATIONS

Nine Months Ended September 30, 1999  
vs. Nine Months Ended September 30, 1998

#### RESULTS OF OPERATIONS

##### Consolidated Net Income

Enron reported net income, including items impacting

comparability, of \$634 million for the first nine months of 1999 compared to \$527 million during the same period in 1998.

Basic and diluted earnings (loss) per share of common stock were as follows:

	Nine Months Ended September 30,	
	1999	1998
Basic earnings per share	\$ 0.84	\$ 0.81
Diluted earnings (loss) per share:		
Results before items impacting comparability	\$ 0.87	\$ 0.77
Items impacting comparability:		
Gain on sale of EOG	0.45	-
Charge to reflect impairment of MTBE assets	(0.36)	-
Cumulative effect of accounting changes	(0.17)	-
Diluted earnings per share	\$ 0.79	\$ 0.77

#### Income Before Interest, Minority Interests and Income Taxes

The following table presents IBIT for each of Enron's operating segments (in millions):

	Nine Months Ended September 30,	
	1999	1998
Transportation and Distribution:		
Gas Pipeline Group	\$ 283	\$ 267
Portland General	200	202
Wholesale Energy Operations and Services	1,054	767
Retail Energy Services	(75)	(93)
Exploration and Production	65	97
Corporate and Other	(5)	(19)
Income before interest, minority interests and taxes	\$1,522	\$1,221

#### Transportation and Distribution

Gas Pipeline Group. The following table summarizes total volumes transported for each of Enron's interstate natural gas pipelines.

Nine Months Ended  
September 30,  
1999            1998

Total Volumes Transported (Bbtu/d) (a)

Northern Natural Gas	3,870	4,046
Transwestern Pipeline	1,508	1,646
Florida Gas Transmission	1,478	1,328
Northern Border Pipeline	2,432	1,766

(a) Reflects 100% of each entity's throughput volumes.

Significant components of IBIT are as follows (in millions):

Nine Months Ended  
September 30,  
1999            1998

Net revenues	\$450	\$473
Operating expenses	190	205
Depreciation and amortization	52	50
Equity in earnings	30	28
Other income, net	45	21
Income before interest and taxes	\$283	\$267

Operating Results

Net revenues and operating expenses of GPG declined \$23 million and \$15 million, respectively, in the first nine months of 1999 as compared to the same period in 1998. The decreases are primarily due to the expiration, in October 1998, of certain transition cost recovery surcharges that caused a reduction in revenues and a corresponding decrease in expenses. The decrease in net revenues was partially offset by the third quarter 1999 sale of storage inventory gas. Other income, net increased \$24 million in the first nine months of 1999 as compared to the same period in 1998 primarily as a result of interest earned by GPG in connection with the financing of an acquisition by an unconsolidated affiliate.

Portland General. Statistics for Portland General for the first nine months of 1999 and 1998 are as follows:



	Nine Months Ended September 30,	
	1999	1998
Electricity Sales (Thousand MWh) (a)		
Residential	5,400	5,049
Commercial	5,513	5,056
Industrial	3,265	2,641
Total Retail	14,178	12,746
Wholesale	9,312	8,632
Total Electricity Sales	23,490	21,378
Average Billed Revenue (cents per kWh)		
Residential	5.91	6.21
Commercial	4.90	5.14
Industrial	3.71	3.61
Total Retail	5.01	5.25
Wholesale	2.72	2.04
Total Sales	4.10	3.95
Resource Mix		
Coal	15%	15%
Combustion Turbine	6	9
Hydro	9	9
Total Generation	30	33
Firm Purchases	57	60
Secondary Purchases	13	7
Total Resources	100%	100%
Average Variable Power Cost (Mills/kWh) (b)		
Generation	9.0	8.0
Firm Purchases	22.6	16.3
Secondary Purchases	18.4	21.8
Total Average Variable Power Cost	19.1	14.9
Retail Customers (end of period, thousands)	714	698

(a) Thousand megawatt-hours.

(b) Mills (1/10 cent) per kilowatt-hour.

For the first nine months of 1999, Portland General realized IBIT of \$200 million as compared to \$202 million in the same period in 1998, as follows (in millions):

	Nine Months Ended September 30,	
	1999	1998
Revenues	\$1,002	\$ 869
Purchased power and fuel	460	322
Operating expenses	223	230
Depreciation and amortization	137	136
Other income, net	18	21
IBIT	\$ 200	\$ 202

Operating Results

Revenues and purchased power and fuel costs increased \$133 million and \$138 million, respectively, in the first nine months of 1999 as compared to the same period in 1998. Revenues increased primarily as a result of an increase in the number of customers served by Portland General and increased wholesale sales in the third quarter of 1999. Higher power costs offset the increase in revenues.

#### Wholesale Energy Operations and Services

The following table reflects IBIT for each of Enron Wholesale's business lines (in millions):

	Nine Months Ended September 30,	
	1999	1998
Commodity Sales and Services	\$ 477	\$ 304
Energy Assets and Investments	701	569
Unallocated expenses	(124)	(106)
Income before interest, minority interests and taxes	\$1,054	\$ 767

The following discussion analyzes the contributions to IBIT for each of the business lines.

Commodity Sales and Services. Enron Wholesale markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

	Nine Months Ended September 30,	
	1999	1998
Physical Volumes (BBtue/d) (a) (b)		
Gas:		
United States	8,564	7,242
Canada	4,395	3,279
Europe	1,531	1,121
Other	22	9
	14,512	11,651
Transport Volumes	535	575
Total Gas Volumes	15,047	12,226
Oil	5,249	2,298
Liquids	688	619
Electricity(c)	10,889	11,838
Total	31,873	26,981
Electricity Volumes Marketed (Thousand MWh)		
United States	292,264	322,874
Europe and Other	5,012	287
Total	297,276	323,161
Financial Settlements (Notional) (BBtue/d)	95,786	73,711

(a) Billion British thermal units equivalent per day.

(b) Includes third-party transactions by Enron Energy Services.

(c) Represents electricity transaction volumes marketed, converted to BBtue/d.

The earnings from Commodity Sales and Services increased to \$477 million in the first nine months of 1999 as compared to \$304 million in the same period of 1998 primarily due to increased earnings from long-term energy contracts, other commodity marketing activities and favorable changes in credit markets worldwide.

Energy Assets and Investments. Earnings from Energy Assets and Investments increased to \$701 million in the first nine months of 1999 as compared to \$569 million in the same period of 1998 as a result of the increased market value of Enron Wholesale's communications investments and higher operating results from Enron Wholesale's worldwide energy assets, partially offset by reductions in the market value of certain energy investments and lower earnings from sales of interests in energy assets.

Unallocated Expenses. Net unallocated expenses such as rent, systems expenses and other support group costs increased in 1999 due to continued expansion into new markets and system upgrades.

#### Retail Energy Services

Energy Services reported an operating loss before interest, minority interest and taxes of \$75 million in the first nine months of 1999 compared to a loss of \$93 million for the same period of 1998. The results primarily reflect the costs associated with developing the commodity, capital and services capability to deliver on contracts signed to date by Energy Services, partially offset by increased earnings from energy management services.

#### Exploration and Production

Exploration and Production reported IBIT of \$65 million in the first nine months of 1999 compared to \$97 million for the same period in 1998 primarily as a result of increased depreciation, depletion and amortization and increased operating expenses, partially offset by decreased exploration expense. The operating results of this segment reflect activity through August 16, 1999, the date of the share exchange transaction (see Note 2 to the Consolidated Financial Statements).

#### Corporate and Other

Corporate and Other realized a loss before interest, minority interests and taxes of \$5 million in the first nine months of 1999 compared to a loss of \$19 million for the same period in 1998. Significant components of IBIT are as follows (in millions):

	Nine Months Ended	
	September 30,	
	1999	1998
IBIT before items impacting comparability	\$ (18)	\$ (19)
Items impacting comparability:		
Gain on sale of EOG	454	-
Charge to reflect impairment of MTBE assets	(441)	-
IBIT	\$ (5)	\$ (19)

IBIT for Corporate and Other in the first nine months of 1999 include a pre-tax gain of \$454 million on the sale of Enron's interest in EOG (see Note 2 to the Consolidated Financial Statements) and a \$441 million pre-tax charge for the impairment of its MTBE assets (see Note 3 to the Consolidated Financial Statements).

#### Interest and Related Charges, net

Interest and related charges, net, is reported net of interest capitalized of \$45 million and \$33 million for the first nine months of 1999 and 1998, respectively. The net expense increased \$139 million in the first nine months of 1999 as compared to the same period of 1998, primarily due to an increase in debt of approximately \$900 million resulting from the consolidation of Jacare (see Note 5 to the Consolidated Financial Statements) and issuances of debt subsequent to September 30, 1998.

#### Minority Interests

Minority interests increased \$34 million to \$94 million in the first nine months of 1999 compared to the same period in 1998, primarily due to the formation of certain joint ventures subsequent to the third quarter of 1998 and the minority owner's share of the results of Jacare prior to the purchase of additional shares of Elektro (see Note 5 to the Consolidated Financial Statements). The first nine months of 1998 include higher net income from EOG and the minority interest of a joint venture that is no longer consolidated due to a change of control in March 1999 (see Note 5 to the Consolidated Financial Statements).

#### Income Tax Expense

The projected effective tax rate for 1999 is lower than the statutory rate mainly due to equity earnings, consolidated foreign earnings and differences between the book and tax basis of certain assets and stock sales, including the EOG share exchange (see Note 2 to the Consolidated Financial Statements).

#### YEAR 2000

The Year 2000 problem results from the use in computer hardware and software of two digits rather than four digits to define the applicable year. The use of two digits was a common practice for decades when computer storage and processing was much more expensive than today. When computer systems must process dates both before and after January 1, 2000, two-digit year "fields" may create processing ambiguities that can cause errors and system failures. For example, computer programs that have date-sensitive features may recognize a date represented by "00" as the year 1900, instead of 2000. These errors or failures may have limited effects, or the effects may be widespread, depending on the computer chip, system or software, and its location and function.

The effects of the Year 2000 problem are exacerbated because of the interdependence of computer and telecommunications systems in the United States and throughout the world. This interdependence is true for Enron and Enron's suppliers, trading partners, and customers, as well as for governments of countries around the world where Enron does business.

## State of Readiness

Enron's Board of Directors has been briefed about the Year 2000 problems generally and as they may affect Enron. The Board has adopted a Year 2000 plan (the "Plan") covering all of Enron's business units. The aim of the Plan is to take reasonable steps to prevent Enron's mission-critical functions from being impaired due to the Year 2000 problem. "Mission-critical" functions are those functions whose loss would cause an immediate stoppage of or significant impairment to major business areas (a major business area is one of material importance to Enron's business).

Implementation of Enron's Year 2000 plan is directly supervised by an Executive Vice President who is aided by a Year 2000 Project Director. The Project Director coordinates the implementation of the Plan among Enron's business units. As part of the overall Plan, each business unit in turn has developed, and is implementing, a Year 2000 plan specific to it. Enron also has engaged outside consultants, technicians and other external resources to aid in formulating and implementing the Plan.

Enron is implementing the Plan, which will be modified as events warrant. Under the Plan, Enron has inventoried its mission-critical computer hardware and software systems and embedded chips (computer chips with date-related functions, contained in a wide variety of devices); assessed the effects of Year 2000 problems on the mission-critical functions of Enron's business units; remedied systems, software and embedded chips in an effort to avoid material disruptions or other material adverse effects on mission-critical functions, processes and systems; verified and tested the mission-critical systems to which remediation efforts have been applied; and attempted to mitigate those mission-critical aspects of the Year 2000 problem that are not remediated by January 1, 2000, including the development of contingency plans to cope with the mission-critical consequences of Year 2000 problems that have not been identified or remediated by that date.

The Plan recognizes that the computer, telecommunications, and other systems ("Outside Systems") of outside entities ("Outside Entities") have the potential for major, mission-critical, adverse effects on the conduct of Enron's business. Enron does not have control of these Outside Entities or Outside Systems. (In some cases, Outside Entities are foreign governments or businesses located in foreign countries.) However, Enron's Plan includes an ongoing process of identifying and contacting Outside Entities whose systems, in Enron's judgment, have or may have a substantial effect on Enron's ability to continue to conduct the mission-critical aspects of its business without disruption from Year 2000 problems. The Plan envisions Enron attempting to inventory and assess the extent to which these Outside Systems may not be "Year 2000 ready" or "Year 2000 compatible." Enron continues to coordinate with these Outside Entities in an ongoing effort regarding the Outside Systems that are mission-critical to Enron.

It is important to recognize that inventorying, assessing, analyzing, converting (where necessary), testing, and developing contingency plans for mission-critical items in anticipation of the Year 2000 event are necessarily

iterative processes. That is, the steps are repeated as Enron learns more about the Year 2000 problem and its effects on Enron's internal systems and on Outside Systems, and about the effects that embedded chips may have on Enron's systems and Outside Systems. As the steps are repeated, it is likely that new problems will be identified and addressed. Enron anticipates that it will continue with these processes through January 1, 2000 and, if necessary based on experience, into the year 2000 in order to assess and remediate problems that reasonably can be identified only after the start of the new century.

Enron's Year 2000 Plan called for most business units to have completed initial rounds of inventory, assessment, remediation and validation testing of its mission critical internal items by June 30, 1999. At Enron, that deadline was met in all material respects. (However, as explained elsewhere in this statement, that does not ensure that these systems do not continue to contain hidden Year 2000 defects in computer code or in embedded devices.)

As of October 31, 1999, Enron and all its business units were materially complete with mission critical items, as shown in the following tables. The first table deals with the Enron business units' mission-critical internal systems (including embedded chips) and the second deals with the business units' mission-critical Outside Systems of Outside Entities. Any notation of "complete" conveys the fact only that the initial iteration of this phase was substantially completed.

Year 2000 Plan Readiness by Enron Business Unit  
(Mission-Critical Internal Items)

	Inventory	Assessment	Analysis	Conversion	Testing	Y2K-Ready	Contingency Plan
Transportation and Distribution:							
Gas Pipeline Group	C	C	C	C	C	C	C
Portland General	C	C	C	C	C	C	C
Wholesale:							
North America	C	C	C	C	C	C	C
Europe	C	C	C	C	C	C	C
Other International	C	C	C	C	C	C	C
Retail Energy Services	C	C	C	C	C	C	C
Corporate and Other	C	C	C	C	C	C	C

Year 2000 Plan Readiness by Enron Business Unit  
(Mission-Critical Outside Entities)

	Inventory	Assessment	Analysis	Conversion	Testing	Y2K-Ready	Contingency Plan
Transportation and Distribution:							
Gas Pipeline Group	C	C	C	C	C	C	C
Portland General	C	C	C	C	C	C	C
Wholesale:							
North America	C	C	C	C	C	C	C
Europe	C	C	C	C	C	C	C
Other International	C	C	C	C	C	C	C
Retail Energy Services	C	C	C	C	C	C	C
Corporate and Other	C	C	C	C	C	C	C

Legend: C = Complete IP = In Process TBI = To Be Initiated

The following tables show, by business unit, completion dates for the initial iteration of various stages of the Plan. The first table deals with the Enron business units' mission-critical internal systems (including embedded chips) and the second deals with the business units' mission-critical Outside Systems of Outside Entities.

Year 2000 Plan Completion Dates by Enron Business Unit  
(Mission-Critical Internal Items) (a)

	Inventory	Assessment	Analysis	Conversion	Testing	Y2K-Ready	Contingency Plan
Transportation and Distribution:							
Gas Pipeline Group	12/98	1/99	4/99	6/99	7/99	8/99	6/99
Portland General	12/97	10/98	10/98	6/99	8/99	10/99	6/99
Wholesale:							
North America	6/98	8/98	12/98	6/99	7/99	8/99	8/99
Europe	7/98	8/98	8/98	4/99	8/99	9/99	8/99
Other International	3/99	3/99	4/99	8/99	9/99	9/99	6/99
Retail Energy Services	1/99	2/99	3/99	4/99	8/99	9/99	7/99
Corporate and Other	2/99	2/99	3/99	6/99	8/99	10/99	6/99

Year 2000 Plan Completion Dates by Enron Business Unit  
(Mission-Critical Outside Entities)

	Inventory	Assessment	Analysis	Conversion	Testing	Y2K-Ready	Contingency Plan
Transportation and Distribution:							
Gas Pipeline Group	11/98	1/99	4/99	5/99	5/99	6/99	6/99
Portland General	10/98	11/98	11/98	6/99	6/99	6/99	6/99
Wholesale:							
North America	7/98	3/99	5/99	7/99	9/99	9/99	9/99
Europe	6/98	7/98	3/99	8/99	8/99	8/99	8/99
Other International	2/99	2/99	4/99	8/99	8/99	8/99	6/99
Retail Energy Services	1/99	1/99	3/99	4/99	5/99	8/99	8/99
Corporate and Other	10/98	3/99	3/99	6/99	8/99	10/99	6/99

Because Enron's Year 2000 Plan treats Year 2000 efforts as an iterative process, Enron is continuing additional cycles of inventory, assessment, remediation and validation testing, which will be conducted in parallel with and in coordination with Enron's Year 2000 contingency planning.

Enron continues to focus on hidden defects in computer code, including re-coding errors in remediated code; sabotage of remediated code; embedded devices with Year 2000 defects; and the potential failure of mission-critical external entities, both domestic and international and including foreign governments. Enron is developing reasonable contingency plans to prepare to the extent practicable to avoid substantial Year 2000-related disruptions that may have a material adverse effect on Enron and its business. Because of the imponderable nature of potential Year 2000 deficiencies, their impact cannot be quantified. None of these problems is unique to Enron.

#### Costs to Address Year 2000 Issues

Under the Plan and otherwise, Enron has not incurred material historical costs for Year 2000 awareness, inventory, assessment, analysis, conversion, testing, or contingency planning. Further, Enron anticipates that its future costs for these purposes, including those for implementing its Year 2000 contingency plans, will not be material.

Although management believes that its estimates are reasonable, there can be no assurance, for the reasons stated in the "Summary" section below, that the actual costs of implementing the Plan will not differ materially from the estimated costs or that Enron will not be materially adversely affected by Year 2000 issues.

#### Year 2000 Risk Factors

Regulatory requirements. Certain of Enron's business units operate in industries that are regulated by governmental authorities. Enron expects to satisfy these regulatory authorities' requirements for achieving Year 2000 readiness. If Enron's reasonable expectations in this regard are in error, and if a regulatory authority should order the temporary cessation of Enron's operations in one or more of these areas, the adverse effect on Enron could be material. Outside Entities could face similar problems that materially adversely affect Enron.

Potential shortcoming. Enron believes that its mission-critical systems, domestic and international, are substantially Year 2000-ready. However, there is no assurance that the Plan will succeed in accomplishing its purposes or that unforeseen circumstances will not arise during implementation of the Plan that would materially and adversely affect Enron.

Cascading effect. Despite Enron's reasonable efforts to identify, assess, and, where appropriate, replace devices that contain embedded chips, Enron anticipates that it will not be able to find and remediate all embedded chips in systems in Enron's business units. Further, Enron anticipates that Outside Entities on which Enron depends also will not be able to find and remediate all embedded chips in their systems. Some of the embedded chips that fail to operate or that produce anomalous results may create



system disruptions or failures. Some of these disruptions or failures may spread from the systems in which they are located to other systems in a cascade. These cascading failures may have adverse effects upon Enron's ability to maintain safe operations and may also have adverse effects upon Enron's ability to serve its customers and otherwise to fulfill certain contractual and other legal obligations. The embedded chip problem is widely recognized as one of the more difficult aspects of the Year 2000 problem across industries and throughout the world. Enron believes that the possible adverse impact of the embedded chip problem is not, and will not be, unique to Enron.

Third parties. Enron cannot assure that suppliers upon which it depends for essential goods and services will convert and test their mission-critical systems and processes in a timely and effective manner. Failure or delay to do so by all or some of these entities, including U.S. federal, state or local governments and foreign governments, could create substantial disruptions having a material adverse affect on Enron's business.

U.S. Y2K Act. Enron may face additional risk as a result of the uncertainties, and probable additional litigation, resulting from the enactment of the U.S. federal "Y2K Act." Because experience with this recently enacted legislation is very limited, Enron cannot at this time quantify the financial impact or potential business disruption that may result from this legislation. However, the adverse impact on Enron's business might be material.

#### Contingency Plans

As part of the Plan, Enron is developing contingency plans that deal with two aspects of the Year 2000 problem: (1) that Enron, despite its good-faith, reasonable efforts, may not have satisfactorily identified and remediated all of its internal mission-critical systems; and (2) that Outside Systems may not be Year 2000 ready, despite Enron's good-faith, reasonable efforts to work with Outside Entities. Enron's contingency plans are being designed to minimize the disruptions or other adverse effects resulting from Year 2000 incompatibilities regarding these mission-critical functions or systems, and to facilitate the early identification and remediation of mission-critical Year 2000 problems that first manifest themselves after January 1, 2000.

Enron's contingency plans contemplate an assessment of all its mission-critical internal information technology systems and its internal operational systems that use computer-based controls. This process will commence in the early minutes of January 1, 2000, and continue for hours, days, or weeks, as circumstances require. Further, Enron will in that time frame assess any mission-critical disruptions due to Year 2000-related failures that are external to Enron. The assessment process will cover, for example, loss of electrical power from utilities; telecommunications services from carriers; or building access, security, or elevator service in facilities occupied by Enron.

Enron's contingency plans include the creation of teams that will be standing by on the evening of December 31, 1999, prepared to respond rapidly and otherwise as necessary

to mission-critical Year 2000-related problems as soon as they become known. The composition of teams that are assigned to deal with Year 2000 problems will vary according to the nature, mission-criticality, and location of the problem. Because Enron operates internationally, some of its Year 2000 contingency teams will be stationed at Enron's mission-critical facilities overseas.

#### Worst Case Scenario

The Securities and Exchange Commission requires that public companies forecast the most reasonably likely worst case Year 2000 scenario. Analysis of the most reasonably likely worst case Year 2000 scenarios Enron may face leads to contemplation of the following possibilities which, though unlikely in some or many cases, must be included in any consideration of worst cases: widespread failure of electrical, gas, and similar supplies by utilities serving Enron domestically and internationally; widespread disruption of the services of communications common carriers domestically and internationally; similar disruption to means and modes of transportation for Enron and its employees, contractors, suppliers, and customers; significant disruption to Enron's ability to gain access to, and remain working in, office buildings and other facilities; the failure of substantial numbers of Enron's mission-critical information (computer) hardware and software systems, including both internal business systems and systems (such as those with embedded chips) controlling operational facilities such as electrical generation, transmission, and distribution systems and oil and gas plants and pipelines, domestically and internationally; and the failure, domestically and internationally, of Outside Systems, the effects of which would have a cumulative material adverse impact on Enron's mission-critical systems. Among other things, Enron could face substantial claims by customers or loss of revenues due to service interruptions, inability to fulfill contractual obligations, inability to account for certain revenues or obligations or to bill customers accurately and on a timely basis, and increased expenses associated with litigation, stabilization of operations following mission-critical failures, and the execution of contingency plans. Enron could also experience an inability by customers, traders, and others to pay, on a timely basis or at all, obligations owed to Enron. Additionally, there may be sustained interruption of the capital markets. Under these circumstances, the adverse effect on Enron, and the diminution of Enron's revenues, would be material, although not quantifiable at this time. Further in this scenario, the cumulative effect of these failures could have a substantial adverse effect on the economy, domestically and internationally. The adverse effect on Enron, and the diminution of Enron's revenues, from a domestic or global recession or depression also is likely to be material, although not quantifiable at this time.

Enron will continue to monitor business conditions with the aim of assessing and minimizing adverse effects, if any, that result or may result from the Year 2000 problem.

#### Summary

Enron has a plan to deal with the Year 2000 challenge and believes that it will be able to achieve substantial Year 2000 readiness with respect to the mission critical systems

that it controls. However, from a forward-looking perspective, the extent and magnitude of the Year 2000 problem as it will affect Enron, both before and for some period after January 1, 2000, are difficult to predict or quantify for a number of reasons. Among these are: the difficulty of locating "embedded" chips that may be in a great variety of mission-critical hardware used for process or flow control, environmental, transportation, access, communications and other systems; the difficulty of inventorying, assessing, remediating, verifying and testing Outside Systems; the difficulty in locating all mission-critical software (computer code) internal to Enron that is not Year 2000 compatible, or that may be subject to re-coding errors or sabotage. Accordingly, there can be no assurance that all of Enron's systems and all Outside Systems will be adequately remediated so that they are Year 2000 ready by January 1, 2000, or by some earlier date, so as not to create a material disruption to Enron's business. If, despite Enron's reasonable efforts under its Year 2000 Plan, there are mission-critical Year 2000-related failures that create substantial disruptions to Enron's business, the adverse impact on Enron's business could be material. Additionally, while Enron's Year 2000 costs are not expected to be material, such costs are difficult to estimate accurately because of unanticipated vendor delays, technical difficulties, the impact of tests of Outside Systems and similar events. Moreover, the estimated costs of implementing the Plan do not take into account the costs, if any, that might be incurred as a result of Year 2000-related failures that occur despite Enron's implementation of the Plan.

#### NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

In June 1999, the FASB issued SFAS No. 137 which deferred the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. A company may implement SFAS No. 133 as of the beginning of any fiscal quarter after issuance, however, the statement cannot be applied retroactively. Enron has not yet determined the timing of adoption of SFAS No. 133. Enron believes that SFAS No. 133 will not have an impact on its accounting for price risk management activities but has not yet quantified the effect on its hedging activities or physical base contracts.

#### FINANCIAL CONDITION

## Cash Flows

	Nine Months Ended	
	September 30,	
(In Millions)	1999	1998

## Cash provided by (used in):

Operating activities	\$ (43)	\$ (29)
Investing activities	(3,155)	(3,171)
Financing activities	3,403	3,413

Cash used in operating activities totaled \$43 million in the first nine months of 1999 as compared to \$29 million used in the same period last year. Cash used in operating activities in 1999 reflects increased working capital requirements offset by improved earnings and distributions received from unconsolidated affiliates.

Cash used in investing activities totaled \$3,155 million in the first nine months of 1999 as compared to \$3,171 million in the same period of 1998. The 1999 amount reflects increased cash used for capital expenditures, primarily related to the purchase of certain MTBE operating leases (see Note 3 to the Consolidated Financial Statements), North American power plant construction and the construction of Enron Communication's fiber optic network, and equity investments, primarily in South Korea, India and Panama, partially offset by proceeds from the sale of EOG (see Note 2 to the Consolidated Financial Statements).

Cash provided by financing activities totaled \$3,403 million in the first nine months of 1999 as compared to \$3,413 million during the same period of 1998. The 1999 amount includes net proceeds of approximately \$839 million from the public offering of 13.8 million shares of Enron common stock, net issuances of short- and long-term debt of \$2,191 million and proceeds from the issuance of equity by subsidiaries. Proceeds were primarily used to fund investment activities.

Enron is able to fund its normal working capital requirements mainly through operations or, when necessary, through the utilization of credit facilities and its ability to sell commercial paper and accounts receivable.

Because of the potential interruption to the capital markets due to Year 2000 problems, Enron's liquidity could be impacted. See "Year 2000" for a discussion of the potential problems and Enron's Year 2000 Plan. Enron has expanded its borrowing capacity which should provide adequate liquidity in the event of any short-term market disruptions.

## CAPITALIZATION

Total capitalization at September 30, 1999 was \$20.8 billion. Debt as a percentage of total capitalization decreased to 41.4% at September 30, 1999 as compared to 41.9% at December 31, 1998. The decrease primarily reflects the issuance in February 1999 of approximately 13.8 million shares of common stock and increased preferred stock

outstanding resulting from the deconsolidation of a joint venture (see Note 5 to the Consolidated Financial Statements), partially offset by increased debt levels, a decreased balance in accumulated other comprehensive income due to the devaluation of the Brazilian Real (see Note 8 to the Consolidated Financial Statements) and a decrease in minority interests following the sale of EOG (see Note 2 to the Consolidated Financial Statements).

#### FINANCIAL RISK MANAGEMENT

Enron Wholesale's business offers price risk management services primarily related to commodities associated with the energy sector (natural gas, crude oil, natural gas liquids and electricity). Enron's other businesses also enter into forwards, swaps and other contracts primarily for the purpose of hedging the impact of market fluctuations on assets, liabilities, production and other contractual commitments. For a complete discussion of the types of financial risk management products used by Enron, the types of market risks associated with Enron's portfolio of transactions, and the methods used by Enron to manage market risks, see Enron's Annual Report on Form 10-K for the year ended December 31, 1998.

Enron's value at risk for its non-trading commodity price risk decreased to \$2 million at September 30, 1999 as compared to \$10 million at December 31, 1998, primarily as a result of decreased hedging activity due to Enron's sale of its interest in EOG (see Note 2 to the Consolidated Financial Statements).

#### INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Although Enron believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. Important factors that could cause actual results to differ materially from those in the forward looking statements herein include political developments in foreign countries; the ability of Enron to penetrate new retail natural gas and electricity markets in the United States and Europe; the timing and extent of deregulation of energy markets in the United States and in foreign jurisdictions; other regulatory developments in the United States and in foreign countries, including tax legislation and regulations; the extent of efforts by governments to privatize natural gas and electric utilities and other industries; the timing and extent of changes in commodity prices for crude oil, natural gas, electricity, foreign currency and interest rates; the extent of success in acquiring oil and gas properties and in discovering, developing, producing and marketing reserves; the timing and success of Enron's efforts to develop international power, pipeline, water and other infrastructure projects; the ability of counterparties to financial risk management instruments and other contracts with Enron to meet their financial commitments to Enron; Enron's success in implementing its Year 2000 Plan, the effectiveness of Enron's Year 2000 Plan and the Year 2000 readiness of Outside Entities; and Enron's ability to access the capital markets and equity markets during the periods

covered by the forward looking statements, which will depend on general market conditions and Enron's ability to maintain or increase the credit ratings for its unsecured senior long-term debt obligations.

PART II. OTHER INFORMATION  
ENRON CORP. AND SUBSIDIARIES

ITEM 1. Legal Proceedings

See Part I. Item 1, Note 6 to Consolidated Financial Statements entitled "Litigation and Other Contingencies," which is incorporated herein by reference.



## ITEM 2. Recent Sales of Unregistered Equity Securities

On September 24, 1999, Enron issued 250,000 shares of Mandatorily Convertible Junior Preferred Stock, Series B (the Series B Preferred Stock), to an existing security holder, Whitewing Associates, L.P., a Delaware limited partnership (Whitewing), in exchange for all the outstanding shares of a then existing series of Enron convertible preferred stock held by Whitewing. No commission or other remuneration was paid in connection with the exchange, and the Series B Preferred Stock was issued pursuant to the exemption provided by Section 3(a)(9) of the Securities Act of 1933. See Part I, Item 2, Note 5 to the Consolidated Financial Statements herein.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit 12 Computation of Ratio of Earnings to Fixed Charges

(b) Reports on Form 8-K

None.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENRON CORP.  
(Registrant)

Date: November 15, 1999 By: RICHARD A. CAUSEY  
Richard A. Causey  
Executive Vice President and Chief  
Accounting Officer  
(Principal Accounting Officer)



## Exhibit 12

ENRON CORP. AND SUBSIDIARIES  
COMPUTATION OF RATIO OF EARNINGS TO  
FIXED CHARGES  
(Dollars in Millions)  
(Unaudited)

	Nine Months Ended 9/30/99	1998	1997	1996	1995	1994
Earnings available for fixed charges						
Net income before cumulative effect of accounting changes	\$ 765	\$ 703	\$105	\$ 584	\$ 520	\$ 453
Less:						
Undistributed earnings and losses of less than 50% owned affiliates	(19)	(44)	(89)	(39)	(14)	(9)
Capitalized interest of nonregulated companies	(51)	(66)	(16)	(10)	(8)	(9)
Add:						
Fixed charges(a)	776	809	674	454	436	487
Minority interests	94	77	80	75	27	30
Income tax expense	99	204	(65)	297	310	190
Total	\$1,664	\$1,683	\$689	\$1,361	\$1,271	\$1,142
Fixed Charges						
Interest expense(a)	\$ 740	\$ 760	\$624	\$ 404	\$ 386	\$ 445
Rental expense representative of interest factor	36	49	50	50	50	42
Total	\$ 776	\$ 809	\$674	\$ 454	\$ 436	\$ 487
Ratio of earnings to fixed charges	2.14	2.08	1.02	3.00	2.92	2.34

(a) Amounts exclude costs incurred on sales of accounts receivables.

<ARTICLE> 5  
<MULTIPLIER> 1,000,000

<PERIOD-TYPE>	9-MOS	
<FISCAL-YEAR-END>		DEC-31-1999
<PERIOD-END>		SEP-30-1999
<CASH>		316
<SECURITIES>		0
<RECEIVABLES>		3,777
<ALLOWANCES>		0
<INVENTORY>		613
<CURRENT-ASSETS>		7,567
<PP&E>		12,924
<DEPRECIATION>		3,149
<TOTAL-ASSETS>		33,576
<CURRENT-LIABILITIES>		6,669
<BONDS>		8,592
<PREFERRED-MANDATORY>		0
<PREFERRED>		1,130
<COMMON>		6,640
<OTHER-SE>		1,575
<TOTAL-LIABILITY-AND-EQUITY>		33,576
<SALES>		25,626
<TOTAL-REVENUES>		29,139
<CGS>		25,137
<TOTAL-COSTS>		28,557
<OTHER-EXPENSES>		(940)
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		537
<INCOME-PRETAX>		834
<INCOME-TAX>		69
<INCOME-CONTINUING>		765
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		(131)
<NET-INCOME>		634
<EPS-BASIC>		0.84
<EPS-DILUTED>		0.79

